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Natural Gas Users to Take Hit This Winter

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WASHINGTON -- Winter heating bills will be a third to a half higher for most families across the country, with the sharpest increases expected for those who heat with natural gas, the Energy Department forecast Wednesday.

The department said natural gas users can expect to pay an average of \$350 more during the upcoming winter compared to last year, an increase of 48 percent. Those who heat their homes with fuel oil will pay \$378 more, or 32 percent higher than last winter.

Propane users can expect a percentage jump in their bills similar to those of fuel oil users.

In its winter fuels outlooks report, DOE's Energy Information Administration assumed a normal winter and steady progress in restoring oil and natural gas production and refinery output from the damage inflicted by hurricanes Katrina and Rita.

"Should colder weather prevail, expenditures will be significantly higher," the EIA said.

The agency as well as the natural gas industry said that heating costs could vary widely among regions.

The National Oceanic and Atmospheric Administration offered a bit of cheer Wednesday morning, issuing a long-range winter forecast calling for warmer than normal temperatures in much of the Midwest and Pacific Northwest.

NOAA's National Weather Service said there is a 60 percent chance of warmer than normal weather in the Dakotas, Nebraska, Iowa, Kansas, Missouri, Oklahoma, north Texas, northern New Mexico and southern and eastern Colorado. States adjoining that area, plus Washington, Oregon, Alaska and Hawaii also have a chance of being warmer than usual. Other areas could be warmer or cooler than usual but no area was singled out to be especially cold.

A month ago, the EIA said natural gas prices could jump as much as 71 percent in the Midwest, where four of every five homes are heated by gas. It made no such specific assessment this time, but acknowledged that a colder-than-normal winter in the Midwest would produce significantly higher costs.

The cost of fuel accounts for about 70 percent of the price utilities charge retail residential customers, according to the American Gas Association.

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EIA said it expects continued recovery of the energy system in the Gulf region in the coming months. But it said it expects a third of the Gulf's crude oil and a fifth of its natural gas to remain shut-in into December.

It also projected wholesale natural gas prices staying at about \$12 per thousand cubic feet through the winter heavy demand period, twice what it cost last winter.

For some low-income families the sharp jumps could mean choosing whether to eat or keep warm, energy experts and advocacy groups fear.

The natural gas utilities warned Tuesday that despite their attempts to contain retail fuel costs, heating bills for gas users this winter will jump 50 percent over last season nationwide. In parts of the Midwest bills could be much higher.

More than half of all U.S. households heat with natural gas. But many of those who rely on electric heat, nearly a third of the country, may also see bills go up because many power plants run on natural gas. And users of fuel oil, more than half the households in New England, are expected to see their costs jump by a third or more over last winter, according to industry and government estimates.

"We have never had prices so high and increase so quickly," said Mark Wolfe, executive director of the National Energy Assistance Directors Association, which represents the state agencies that distribute money to help low-income families pay their fuel bills.

This winter, Wolfe expects more than a million additional applicants for the government program, a 20 percent increase over last year, with not enough money to go around. Congress provided \$2.2 billion for the program, known as LIHEAP, last year. Wolfe said \$5.1 billion is needed to keep pace this coming winter with the soaring energy costs and expanded demand.

The double punch of the two hurricanes knocked out 20 percent of the nation's natural gas production, severely damaged gas processing facilities along the Gulf Coast and shut down more than a dozen refineries. As a result, natural gas supplies and heating oil are tight as functioning refineries focused on getting enough gasoline onto the market _ and not building up stocks of heating oil.

Heating costs for the average family using fuel oil in the Northeast is projected by the group to be as much as \$1,867 for the winter heating season, an increase of \$605 over last winter, and \$915 more than two years ago.

About half of all households in New England use fuel oil.

In the Midwest, where natural gas heats 79 percent of all homes, according to AGA, the winter heating costs are projected to soar to \$1,568 for the season, an increase of \$611 over last winter, according to Wolfe.

On the Net:

American Gas Association: <http://www.aga.org>

Energy Information Administration: <http://www.eia.doe.gov>